

Message Text

LIMITED OFFICIAL USE

PAGE 01 PORT M 00839 210640Z

21

ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 OMB-01

AID-05 IO-10 XMB-02 /074 W
----- 011214

R 210220Z AUG 75

FM AMCONSUL PORT MORESBY

TO SECSTATE WASHDC 793

INFO AMEMBASSY CANBERRA

AMEMBASSY WELLINGTON

CINCPAC

LIMITED OFFICIAL USE PORT MORESBY 0839

CINCPAC ALSO FOR POLAD

E.O. 11652: NA

TAGS: EFIN, PP

SUBJ: AUSTRALIAN AID CUTBACK FOR PNG PROVOKES STRONG PROTEST

REF: A. PORT MORESBY 744; B. PORT MORESBY 787

1. SUMMARY: AUSTRALIAN AID TO PAPUA NEW GUINEA IN 1975/76 WILL BE SIGNIFICANTLY LOWER THAN THE AMOUNT REQUESTED. DIS-AGREEMENT EXISTS BETWEEN THE AUSTRALIAN OFFICE AND THE GPNG ON THE SIZE OF THE CUT, BUT POLITICAL (AND POSSIBLE ECONOMIC) REPERCUSSIONS ARE EVIDENT. EACH SIDE IS ACCUSING THE OTHER OF MISREPRESENTING THE FACTS OR OF IGNORING CERTAIN SALIENT POINTS. GPNG IS REACTING IN ANGER AND AUSTRALIAN OFFICE IS DISPLAYING CONCERN. END SUMMARY.

2. ACCORDING TO AUSTRALIAN OFFICE, AID DISCUSSIONS IN CANBERRA IN MAY LED TO A CUTBACK FROM THE GPNG REQUEST OF GROSS AID OF A\$246 MIL TO A\$230 MIL. THE PNG TEAM LEFT THINKING THE A\$230 MIL FIGURE WAS FIRM, BUT THIS WAS THEN REDUCED BY THE GOA TO A\$210 MIL AND CHIEF MINISTER SOMARE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PORT M 00839 210640Z

WAS NOTIFIED ON AUGUST 3. HE THEN WENT TO SYDNEY, ACCOMPANIED

BY FONMIN KIKI AND FINMIN CHAN TO SEEK (1) RESTITUTION OF THE CUTS, AND (2) A LONG TERM COMMITMENT ON AID. HE GOT THE LONG TERM COMMITMENT ONLY IN GENERAL TERMS, ACCORDING TO THE AUSTRALIAN OFFICE, NOT IN THE SPECIFIC TERMS HE WANTED, AND THE CUTS WERE NOT RESTORED IN THE 1975/76 LEVELS.

3. THE FIGURES USED BY THE GPNG ARE DIFFERENT, PARTLY BECAUSE THE GPNG DOES NOT CONSIDER ASAG PAYMENTS (SALARIES AND RETIREMENT BENEFITS OF AUSTRALIANS SECONDED TO GPNG, ESTIMATED AT \$93 MIL FOR 1975/76) AS AID, AND PARTLY FOR REASONS NOT CLEAR TO US. GPNG HAS ACCUSED GOA OF USING APPROPRIATION FIGURES, NOT DISBURSEMENT FIGURES IN CITING AID LEVELS, AND HAS POINTED OUT THAT DISBURSEMENTS ARE SIGNIFICANTLY LOWER THAN APPROPRIATIONS. FURTHER, GPNG STATES THAT GOA HAS MADE NO ALLOWANCE FOR INFLATION WHICH HAS ALREADY REDUCED AID IN REAL TERMS.

4. UPON HIS RETURN FROM CANBERRA, A BITTER SOMARE SAID THE AUSTRALIANS HAVE "DUMPED PNG". HE SAID THE AUSSIES "HAVE BROKEN MY BACK BUT NOT THE BACK OF MY PEOPLE. WE HAVE THE COURAGE TO GO ON." HE APPARENTLY FELT HE GOT NO ASSURANCES ON LONG TERM AID, QUOTING WHITLAM AS SAYING "THAT'S A BIG QUESTION MARK" WHEN HE ASKED FOR A COMMITMENT.

5. WATERS WERE FURTHER MUDDIED BY VISIT OF AUSTRALIAN SHADOW MINISTER FOR FOREIGN AFFAIRS, ANDREW PEACOCK, WHO EVIDENTLY SAW THE OPPORTUNITY TO MAKE POLITICAL CAPITAL. PEACOCK SAID HE HAD ONLY REALIZED HOW "DIRE" THE SITUATION WAS AFTER TALKS WITH THE CHIEF MINISTER, OTHER PNG MINISTERS AND THEIR ADVISERS. "IT IS QUITE OBVIOUS THAT THE EFFECT IS GREATER, THE CONSEQUENCES INFINITELY WORSE, AND THE FEELING EVEN MORE INTENSE THAN I HAD ANTICIPATED," HE ADDED. HE SAID THAT BOTH SOMARE AND KIKI HAD POINTED OUT THAT THE SOVIET AMBASSADOR VISITED PNG "LESS THAN A FORTNIGHT AGO...AND GAVE THEM AN UNDERTAKING THAT THE SOVIET UNION WOULD BE PREPARED TO LEND ECONOMIC ASSISTANCE." SOVIET AMBASSADOR SUBSEQUENTLY RELEASED STATEMENT IN CANBERRA THAT HE HAD NOT OFFERED ECONOMIC AID TO PNG.

6. COMMENT: WE HAVE NOT GONE TO GPNG TO CLARIFY THE FIGURES AS THIS WOULD ENCOURAGE REQUESTS FOR AID FROM THE USG. NO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PORT M 00839 210640Z

ENCOURAGEMENT IS NEEDED, AS INQUIRIES AND REQUESTS ABOUT AID ARE INCREASING STEADILY. MINISTER FOR NATURAL RESOURCES, BRUCE JEPHCOTT, CALLED ON ME TWICE YESTERDAY, ONCE TO ASK FOR U.S. FUNDING FOR A FISHERIES EXPERT AND THE SECOND TIME TO SUPPORT THE STARKIST REQUEST FOR A \$2 MILLION AID OR EXIM LOAN FOR A FISH CANNING FACTORY.

7. IT IS TOO EARLY TO ASSESS THE IMPACT OF THE CUT ON

ECONOMIC DEVELOPMENT, BUT THE AUSTRALIAN OFFICE IS CONCERNED THAT THE SHORTFALL WILL LEAD TO INCREASED SEPARATIST ACTIVITY AS THE GPNG WILL BE LESS ABLE TO GIVE THE RURAL AREAS THE ROADS, SCHOOLS, ETC. THAT THEY WANT. THE AUSTRALIAN OFFICE IS ALSO CONCERNED ABOUT THE ADVERSE EFFECT ON PNG-AUSTRALIAN RELATIONS. THIS IS THE FIRST EXPERIENCE OF THE SOMARE CABINET WITH

FINANCIAL STRINGENCY, AND THE GPNG IS CONCERNED THAT THE ECONOMY WILL NOT GET OFF TO THE FLYING START HOPED FOR IMMEDIATELY AFTER INDEPENDENCE. GPNG IS HAVING TO LOOK HARDER AT ALTERNATIVE SOURCES OF CAPITAL. HIGHER TAXES ON BEER, LIQUOR AND CIGARETTES HAVE ALREADY BEEN ANNOUNCED. GPNG HAS ALREADY BECOME MORE INTERESTED IN FOREIGN PRIVATE INVESTMENT. IT IS ALSO TALKING ABOUT RAISING FUNDS ON THE INTERNATIONAL MONEY MARKET. FURTHER, GPNG IS THINKING OUT LOUD ABOUT AID FROM CHINA AND JAPAN.
OLMSTED

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN ASSISTANCE, FISHING INDUSTRIES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ellisoob
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PORTM00839
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750289-0219
From: PORT MORESBY
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750831/aaaabaud.tel
Line Count: 132
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 PORT MORESBY 744, 75 PORT MORESBY 787
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 03 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 JUL 2003 by CunninFX>; APPROVED <13 NOV 2003 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AUSTRALIAN AID CUTBACK FOR PNG PROVOKES STRONG PROTEST
TAGS: EFIN, PDEV, PP, AS, JA, XMB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006